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FORM OF  
INCOME AND PROFIT AND  
LOSS STATEMENT

FOR

STEAM ROADS

AS PRESCRIBED BY THE

U.S.

INTERSTATE COMMERCE COMMISSION

IN ACCORDANCE WITH

SECTION 20 OF THE ACT TO REGULATE  
COMMERCE

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FIRST ISSUE

*Effective on July 1, 1912*

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WASHINGTON  
GOVERNMENT PRINTING OFFICE

1912

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THE INTERSTATE COMMERCE COMMISSION.

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JOHN H. MARBLE, *Secretary.*

(2)

At a General Session of the INTERSTATE COMMERCE COMMISSION, held at its office in Washington, D. C., on the 3d day of June, 1912.

The subject of a Uniform Income and Profit and Loss Statement for the use of carriers making reports to the Commission, and of the Ledger Accounts immediately pertaining thereto, being under consideration, the following order was entered:

*It is ordered,* That the Form of Income and Profit and Loss Statement, with the classification of the accounts involved in such statement and the text pertaining thereto, embodied in printed form, to be hereafter known as Form of Income and Profit and Loss Statement for Steam Roads, First Issue, a copy of which is now before this Commission, be, and the same is hereby, approved; that a copy thereof duly authenticated by the Secretary of the Commission be filed in its archives, and a second copy thereof, in like manner authenticated, be filed in the office of the Division of Carriers' Accounts; and that each of said copies so authenticated and filed shall be deemed an original record thereof.

*It is further ordered,* That the said Form of Income and Profit and Loss Statement, with the accounts involved in such statement and the text pertaining thereto, be, and it hereby is, prescribed for the use of carriers by rail (exclusive of electric railways) subject to the provisions of the amended act to regulate commerce in the keeping and recording of all transactions reflected in the said Form of Income and Profit and Loss Statement; that each and every such carrier and each and every receiver or operating trustee of any such carrier be required to keep all accounts involved in the said Form of Income and Profit and Loss Statement in conformity therewith; and that a copy of the said Form of Income

and Profit and Loss Statement be sent to each and every such carrier and to each and every receiver or operating trustee of any such carrier.

*It is further ordered,* That the rules contained in the said Form of Income and Profit and Loss Statement for Steam Roads, First Issue, are, and by virtue of this order do become, the lawful rules according to which all entries in the accounts involved in such statement are defined; that each and every person directly in charge of the accounts of any such carrier, or of any receiver or operating trustee of any such carrier, is hereby required to see to, and under the law is responsible for, the correct application of the said rules in the keeping and recording of all transactions pertaining to, or reflected in, the said Form of Income and Profit and Loss Statement; and that it shall be unlawful for any such carrier or for any receiver or operating trustee of any such carrier, or for any person directly in charge of the accounts of any such carrier or of any receiver or operating trustee of any such carrier, to keep any account or record or memorandum of any transactions pertaining to, or reflected in, the said Form of Income and Profit and Loss Statement, except in the manner and form hereby prescribed: *Provided, however,* That nothing in this order shall be construed as depriving a carrier of the right to make whatever analysis of income and profit and loss items it may deem proper for the information of stockholders or of officials who have the management of its property.

*It is further ordered,* That July 1, 1912, be, and is hereby, fixed as the date on which the said Form of Income and Profit and Loss Statement for Steam Roads, First Issue, shall become effective.

By the Commission:

[SEAL.]

JOHN H. MARBLE,

*Secretary.*

## INTRODUCTORY LETTER.

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INTERSTATE COMMERCE COMMISSION,  
DIVISION OF CARRIERS' ACCOUNTS,  
*Washington, June 27, 1912.*

### TO CARRIERS CONCERNED:

It has seemed essential, for the completion of the system of accounts to be used by carriers by rail (exclusive of electric railways), subject to the act to regulate commerce as amended, that a Form of Income and Profit and Loss Account Statement be issued for the government of such carriers.

This Form of Income and Profit and Loss Account Statement for Steam Roads, First Issue, is therefore promulgated for the use of carriers engaged in transportation by rail (exclusive of electric railways), and, together with other classifications and accounting forms previously issued and now in effect, practically completes the system of accounts for such carriers.

It is intended that the accounts provided herein shall be used, so far as they may be applicable to each, both by lessor companies and by operating companies.

It is proper to acknowledge the cooperation of the accredited representatives of the Association of American Railway Accounting Officers in working out the rules in this form. While the rules as now promulgated do not in all respects conform to the recommendations of that association, the assistance of its representatives, in the consideration of the questions involved herein, has been invaluable.

To the end that substantial uniformity in the interpretation of these rules be maintained, carriers are requested to submit all questions of doubtful interpretation to this office for consideration and decision.

CHARLES A. LUTZ,  
*Chief Examiner of Accounts.*

## GENERAL INSTRUCTIONS.

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1. **INCOME ACCOUNT DEFINED.**—The Income Account brings together those accounts that show the total amount of money that a company receives or becomes entitled to receive from its transportation and other operations during a given fiscal period, the return accrued during the period upon investments, the disbursements and obligations incurred that affect the amounts so received or accrued, and the disposition or allocation of the net income accrued. The net balance shown by the Income Account should be carried to the Profit and Loss Account.

2. **PROFIT AND LOSS ACCOUNT DEFINED.**—The Profit and Loss Account summarizes the changes in the corporate surplus or deficit during a given fiscal period resulting from the operations and business transactions during that period as well as changes effected by appropriations of surplus made at the option of the company, by accounting adjustments not properly attributable to the period, or by miscellaneous losses or gains not provided for elsewhere. The Profit and Loss Account is the connecting link between the Income Account and the General Balance Sheet. The Profit and Loss Account balance should be shown in the General Balance Sheet Statement under account B 27 or account B 50.

3. **GENERAL LEDGER ACCOUNTS.**—The titles of the accounts in the general ledger pertaining to the Income Account and Profit and Loss Account should substantially conform to the titles of the accounts prescribed herein. Carriers may, however, subdivide any of the prescribed accounts, provided that the subaccounts do not impair the integrity of the accounts prescribed and



that the titles of the subaccounts in the general ledger give reference (by number, title, or both) to the accounts prescribed herein of which they are subdivisions.

4. **INCOME ACCOUNT ON BASIS OF ACCRUALS.**—The text in general provides that items affecting the Income Account shall be stated upon the basis of accruals. Exceptions will, however, be noted in a few instances in which it seems that to require the accrual basis would lead to erroneous results, or perhaps involve unwarranted refinements in accounting.

5. **SINKING FUND ACCRUALS.**—A separate account has been provided in the Income Account for showing income from securities and other assets held in sinking and other reserve funds. Entries are to be made in this account for income accrued on cash, securities, and other assets held in such funds, with the exception of securities issued or assumed by the accounting company. No entry is to be made, either in this account or in accounts representing interest on funded debt or dividends on stock, for interest or dividends on such securities as are issued or assumed by the company and held by or for it.

Accounts are provided both in the Income Account and in the Profit and Loss Account for appropriations of contributions and of accretions to sinking funds, the amounts of which are to be credited to balance-sheet account B 49, "Reserves from Income or Surplus."

6. **APPROPRIATIONS.**—Accounts are provided in the Income Account for the appropriation of net income and in the Profit and Loss Account for the appropriation of surplus. Whether appropriations shall be charged to Income or to Profit and Loss is thus left to the discretion of the accounting company.

7. **CANCELLATION OF CONFLICTING PREVIOUS INSTRUCTIONS.**—The rules provided in this Form of Income and Profit and Loss Statement supersede any conflicting instructions in other classifications and accounting forms previously issued.

# INCOME STATEMENT.

## LIST OF ACCOUNTS.

	Page.
<b>I. RAILWAY OPERATING INCOME:</b>	
I 1. Rail Operations—Revenues.....	10
I 2. Rail Operations—Expenses.....	10
Net Revenue (or Deficit)—Rail Operations.	
I 3. Auxiliary (or Outside) Operations—Revenues..	10
I 4. Auxiliary (or Outside) Operations—Expenses..	10
Net Revenue (or Deficit) Auxiliary Operations.	
Net Railway Operating Revenue (or Deficit).	
I 5. Railway Tax Accruals.....	10
Railway Operating Income (or Loss).	
<b>II. OTHER INCOME:</b>	
I 6. Income from Lease of Road .....	11
I 7. Hire of Equipment—Credit Balance.....	12
I 8. Joint Facility Rent Income.....	12
I 9. Miscellaneous Rent Income.....	13
I 10. Net Profit from Miscellaneous Physical Property.	14
I 11. Separately Operated Properties—Profit.....	14
I 12. Dividend Income .....	14
I 13. Income from Funded Securities.....	15
I 14. Income from Unfunded Securities and Accounts	15
I 15. Income from Sinking and Other Reserve Funds.	16
I 16. Release of Premiums on Funded Debt.....	16
I 17. Contributions from Other Companies.....	16
I 18. Miscellaneous Income.....	17
Total Other Income.	
Gross Income (or Loss).	
<b>III. DEDUCTIONS FROM GROSS INCOME:</b>	
I 19. Deductions for Lease of Other Roads.....	17
I 20. Hire of Equipment—Debit Balance.....	17
I 21. Joint Facility Rent Deductions.....	18
I 22. Miscellaneous Rent Deductions.....	18
I 23. Miscellaneous Tax Accruals .....	18
I 24. Net Loss on Miscellaneous Physical Property..	19

III. DEDUCTIONS FROM GROSS INCOME—Continued.		Page.
I 25. Separately Operated Properties—Loss.....		19
I 26. Interest Deductions for Funded Debt.....		19
I 27. Interest Deductions for Unfunded Debt.....		20
I 28. Amortization of Discount on Funded Debt.....		20
I 29. Transfer of Income to Other Companies.....		21
I 30. Miscellaneous Deductions.....		21
Total Deductions.		
Net Income (or Loss).		
IV. DISPOSITION OF NET INCOME:		
I 31. Appropriations of Income to Sinking and Other Reserve Funds.....		21
I 32. Dividend Appropriations of Income.....		22
I 33. Appropriations of Income for Additions and Betterments.....		22
I 34. Appropriations of Income for New Lines and Extensions.....		23
I 35. Stock Discount Extinguished through Income..		23
I 36. Miscellaneous Appropriations of Income.....		23
Income Balance Transferred to Credit (or Debit) of Profit and Loss.		

## TEXT EXPLANATORY OF ACCOUNTS APPEARING IN THE INCOME STATEMENT FOR STEAM ROADS.

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### I. RAILWAY OPERATING INCOME:

#### I 1. RAIL OPERATIONS—REVENUES.

This account should include the total operating revenues stated in accordance with the Classification of Operating Revenues for Steam Roads.

#### I 2. RAIL OPERATIONS—EXPENSES.

This account should include the total operating expenses stated in accordance with the Classification of Operating Expenses for Steam Roads.

#### I 3. AUXILIARY (OR OUTSIDE) OPERATIONS—REVENUES.

This account should include the revenues from auxiliary (or outside) operations stated in accordance with the Classification of Revenues and Expenses for Outside Operations.

#### I 4. AUXILIARY (OR OUTSIDE) OPERATIONS—EXPENSES.

This account should include the expenses of auxiliary (or outside) operations stated in accordance with the Classification of Revenues and Expenses for Outside Operations.

#### I 5. RAILWAY TAX ACCRUALS.

This account should include Federal, State, county, municipal, school, and other taxing-district taxes of all kinds, relating to railway property, operations, and privileges, whether the assessment is based on the valuation of the property; on the amount of stocks and bonds issued or outstanding in respect to such property; on the gross or net earnings; on dividends; on the number of passengers or the amount of freight carried; on the length of line operated or owned; on the rolling stock; or otherwise.

This account should be charged each month with the amount of taxes accruing during the month. When it is not possible to determine the actual accruals, the amount of the annual taxes should be estimated and one-twelfth of the estimated amount should be charged to this account monthly. The monthly charges should be adjusted from time to time during the year as the actual tax levies become known so as to include as nearly as may be possible the total amount of the taxes in the accounts of the fiscal year to which they apply.

If the terms of lease obligate the operating company for the taxes assessed in connection with property leased outright, the accruals of such taxes should be charged by it to this account. If such taxes are actually paid to the government authorities by the lessor company, the payment should be charged directly to the lessee and it should not enter into the taxes account of the lessor.

Accruals of taxes to be paid by the lessor company, if the terms of the lease do not obligate the lessee company, should be charged by the lessor company to this account. If such taxes are actually paid to the government authorities by the operating company, the payment should be charged directly to the lessor and it should not enter into the taxes account of the lessee.

NOTE A.—If property other than railway property is so intimately connected with railway property that the taxes thereon can not be separately ascertained, such taxes may be included in this account; also when it is impossible to ascertain from the taxing authorities the distribution of taxes between (1) railway property, operations, and privileges, and (2) other property, operations, and privileges, the taxes on the latter may be included in this account. When it is possible to ascertain the taxes on other property, operations, and privileges, they should be charged to account I 23, "Miscellaneous Tax Accruals."

NOTE B.—Special assessments for street and other improvements and special benefit taxes, such as water taxes, drainage taxes, and the like should not be charged to this account, but should be included in operating expense, additions and betterments, or road and equipment accounts, as may be appropriate.

NOTE C.—Taxes on new lines under construction or on property acquired for the extension of existing lines should be charged to road and equipment account No. 46, "Taxes," until the lines are opened for commercial operation.

NOTE D.—Taxes assessed separately on real estate acquired for Additions and Betterments should be charged to the appropriate additions and betterments accounts until the completion or coming into service of the property.

NOTE E.—Amounts received in reimbursement of taxes on property jointly used should be credited to account I 8, "Joint Facility Rent Income." Amounts paid in reimbursement of such taxes should be charged to account I 21, "Joint Facility Rent Deductions."

## II. OTHER INCOME:

### I 6. INCOME FROM LEASE OF ROAD.

This account should include the amount accrued as rent for road (including the equipment and other railway property covered by the contract) owned or controlled by the accounting company and held by another company under lease or other agreement granting exclusive use and control for operating purposes.

This account should include the entire amount of rent (except taxes) receivable by the lessor according to the terms of lease or other agreement, whether it is paid to the lessor in cash or is disbursed by the lessee for the account of the lessor as interest on funded debt, guaranteed dividends on stock, or otherwise.

NOTE A.—If equipment is included in the lease of road, the rent of such equipment should be credited to this account and not to Hire of Equipment account.

NOTE B.—If property, the rent of which is charged to account I 19, "Deductions for Lease of Other Roads," is sublet by the accounting company, the rent receivable therefor should be credited to this account.

NOTE C.—If, under the terms of a lease, the deficit (or any portion of it) resulting from the lessee company's operations of the property leased is payable by the lessor company, the amount should be charged to this account by the lessor.

NOTE D.—A company owning or controlling steam roads and leasing the entire railway property to others and performing no railway operations should charge to this account the cost of maintaining its organization, such as the salaries of officers, clerks, and attendants; office expenses; law expenses; cost of stationery, printing, and supplies; and like expenses.

#### I 7. HIRE OF EQUIPMENT—CREDIT BALANCE.

This account should include the net credit balance of (1) amounts accrued as owed by others for the use of the accounting company's equipment leased or interchanged, and (2) amounts accrued as owed to other carriers for the use of their equipment leased or interchanged and amounts accrued as owed to individuals and companies for the use of private cars.

NOTE A.—If the net balance is a debit, it should be included in account I 20, "Hire of Equipment—Debit Balance."

NOTE B.—Rent for equipment included in the lease of road to another company should not be included in this account, but should be credited to account I 6, "Income from Lease of Road."

NOTE C.—This account does not apply to equipment assigned to Auxiliary (or Outside) Operations, the rent of which is provided for in the Classification of Revenues and Expenses for Outside Operations.

#### I 8. JOINT FACILITY RENT INCOME.

This account should include amounts accrued as rent of tracks, yards, terminals, and other facilities owned or controlled by the accounting company and used jointly with other carriers, companies, and individuals.

NOTE A.—Amounts received from other companies in reimbursement for taxes on property jointly used should be credited to this account.

NOTE B.—The cost of maintenance, operation, or administration of joint facilities recoverable from others should not be included in this account, but should be credited to the various joint facility accounts provided in the Classification of Operating Expenses. When the compensation for the use of joint facilities is a fixed amount or is based upon a charge per passenger, per ton, per car, or other unit, it should be fairly apportioned by the operating company between this account and the appropriate joint facility operating expense accounts.

NOTE C.—If the facilities are used jointly with others than common carriers and the amounts involved are relatively small, they need not be apportioned between this account and the joint facility operating expense accounts, but may be credited to revenue account No. 18, "Rents of Buildings and Other Property."

## I 9. MISCELLANEOUS RENT INCOME.

This account should include rents of property carried in the road and equipment accounts, the rents of which are not provided for in the three foregoing accounts. To this account should be charged the cost of maintenance of the property rented, also incidental expenses in connection with such property, such as the cost of negotiating contracts, advertising for tenants, fees paid conveyancers, collectors' commissions, and analogous items.

NOTE A.—If the expenses of the property leased can not be separated from the expenses of property used in the company's operations, the rents should be credited to revenue account No. 18, "Rents of Buildings and Other Property."

NOTE B.—If a service (other than maintenance) is performed by the accounting company in connection with such property, the income should not be included in this account, but the service should be treated as an auxiliary (or outside) operation in accordance with the Introductory Letter in the Classification of Revenues and Expenses for Outside Operations.

NOTE C.—If property, the rent of which is charged to account I 22, "Miscellaneous Rent Deductions," is sublet by the accounting company, the rent receivable therefor should be credited to this account.

NOTE D.—Taxes on property, the rent of which is credited to this account, should be charged to account I 5, "Railway Tax Accruals."

NOTE E.—The rent of property carried in balance-sheet account B 6 (a), "Miscellaneous Investments—Physical Property," should not be included in this account, but in account I 10, "Net Profit from Miscellaneous Physical Property," or I 24, "Net Loss on Miscellaneous Physical Property."

NOTE F.—If the amounts received as rent for the exclusive use of tracks and other railway facilities maintained by the accounting company (the expenses in connection therewith being included in its operating expenses) are considerable, they should be divided into two portions, one representing the cost of maintenance, which should be credited to the appropriate operating expense accounts (not joint facility accounts), and the other representing the rent (amount applicable to the investment in the property), which should be credited to this account. If relatively small, the amounts need not be divided, but may be credited to revenue account No. 18, "Rents of Buildings and Other Property."

NOTE G.—Rent and other income on real estate acquired for Additions and Betterments should be credited to the appropriate additions and betterments accounts until the completion or coming into service of the property.

#### I 10. NET PROFIT FROM MISCELLANEOUS PHYSICAL PROPERTY.

This account should include the net credit balance of the revenues or income from, and the expenses (excluding taxes) of, physical property carried in balance sheet account B 6 (a), "Miscellaneous Investments—Physical Property."

NOTE.—If the net balance is a debit, it should be shown under account I 24, "Net Loss on Miscellaneous Physical Property."

#### I 11. SEPARATELY OPERATED PROPERTIES—PROFIT.

This account should include amounts receivable under the terms of agreements or contracts whereby the surplus resulting from the operation of properties of other companies having a separate corporate existence and operated separately, is to be paid, in whole or in part, to the accounting company.

NOTE A.—The amount payable by the operating company should be charged by it to account I 29, "Transfer of Income to Other Companies."

NOTE B.—In determining the amount receivable by the accounting company, consideration should be given not only to the operating revenues and operating expenses but also to other items of income or deduction which affect that amount.

NOTE C.—This account should not include the results from operations of property and facilities owned by the accounting company, the revenues and expenses of which are provided for in the Classification of Revenues and Expenses for Outside Operations, or in accounts I 10, "Net Profit from Miscellaneous Physical Property," and I 24, "Net Loss on Miscellaneous Physical Property."

NOTE D.—Dividends or other returns upon securities issued by separately operated companies and held or controlled by the accounting company should not be included in this account, but in account I 12, "Dividend Income," I 13, "Income from Funded Securities," or I 14, "Income from Unfunded Securities and Accounts," as may be appropriate.

#### I 12. DIVIDEND INCOME.

This account should include dividends declared on railway and other stocks owned by the accounting company (and held in its treasury or deposited in trust), or controlled through lease or otherwise, the income from which is the property of the accounting company. Accruals of guaranteed dividends may be included in this account if their payment is reasonably assured.

NOTE A.—This account should not include credits for dividends on stocks issued or assumed by the accounting company and owned by it, whether held in its treasury, in special deposits, or in sinking or other reserve funds, or pledged as collateral.



NOTE B.—Dividends on stocks of other companies held in sinking or other reserve funds should not be included in this account, but should be credited to account I 15, "Income from Sinking and Other Reserve Funds."

### I 13. INCOME FROM FUNDED SECURITIES.

This account should include interest on funded securities and debenture stock of railway and other companies owned by the accounting company (and held in its treasury or deposited in trust) or controlled through lease or otherwise, the income from which is the property of the accounting company. Interest accrued should not be credited unless its payment is reasonably assured by past experience, guaranty, anticipated provision, or otherwise. In other cases the credit to this account should be based upon the interest actually collected.

NOTE A.—The term *funded securities*, as here used, means all bonds, notes, and other evidences of indebtedness (except open accounts for advances) which, by the terms of the creation of the debt, do not mature until more than one year after the date of such creation.

NOTE B.—This account should not include interest on funded securities issued or assumed by the accounting company and owned by it, whether held in its treasury, in special deposits, or in sinking or other reserve funds, or pledged as collateral.

NOTE C.—Interest on funded securities of other companies held in sinking or other reserve funds should not be included in this account, but in account I 15, "Income from Sinking and Other Reserve Funds."

NOTE D.—At the option of the company there may be included in this account the portion applicable to the fiscal period of the amount requisite to extinguish (during the interval between the date of acquisition and the date of maturity) the discount or premium on funded securities of other companies owned.

NOTE E.—Interest accruing on funded securities after maturity should not be included in this account, but in account I 14, "Income from Unfunded Securities and Accounts."

### I 14. INCOME FROM UNFUNDED SECURITIES AND ACCOUNTS.

This account should include interest income on unfunded securities and matured funded securities of other companies, interest on bank balances and open accounts, and other analogous items, including discount on short-term notes.

NOTE A.—The term *unfunded securities*, as here used, means notes and other evidences of indebtedness payable on demand or having dates of maturity one year or less from the dates of issue.

NOTE B.—Interest on assets held in sinking and other reserve funds should not be included in this account, but in account I 15, "Income from Sinking and Other Reserve Funds."

NOTE C.—Discounts on bills for material purchased should not be credited to this account, but should be credited to the accounts which were charged by the original invoices.

## I 15. INCOME FROM SINKING AND OTHER RESERVE FUNDS.

This account should include the income accrued on cash, securities, and other assets (not including securities issued or assumed by the accounting company) held in sinking and other reserve funds.

NOTE A.—At the option of the company there may be included in this account the portion applicable to the fiscal period of the amount requisite to extinguish (during the interval between the date of acquisition and the date of maturity) the discount or premium on funded securities of other companies held in sinking or other reserve funds.

NOTE B.—If the income to a sinking fund is allowed to be retained in the fund and if the sinking fund is required to be represented by a reserve, the amounts credited to this account in respect to such income should be concurrently charged to account I 31, "Appropriations of Income to Sinking and Other Reserve Funds" and credited to balance-sheet account B 49, "Reserves from Income or Surplus."

## I 16. RELEASE OF PREMIUMS ON FUNDED DEBT.

This account should be credited during each fiscal period with such proportion of the premiums on outstanding funded debt obligations as may be applicable to that period. This proportion should be determined according to the rule provided in balance-sheet account B 44, "Unextinguished Premiums on Outstanding Funded Debt."

NOTE.—The amounts credited to this account should be concurrently charged to the Discounts and Premiums accounts in which the respective premiums are carried.

## I 17. CONTRIBUTIONS FROM OTHER COMPANIES.

If, under the terms of agreements or contracts, the deficit of the accounting company is payable (in whole or in part) by another company without provision for subsequent reimbursement, the amount so receivable should be credited to this account.

NOTE A.—The amount payable should be charged by the contributing company to account I 25, "Separately Operated Property—Loss."

NOTE B.—In determining the amount receivable by the accounting company, consideration should be given not only to the operating revenues and operating expenses but also to other items of income or deduction which affect that amount.

NOTE C.—This account should not include advances. (See balance-sheet accounts B 33, "Obligations for Advances Received for Construction, Equipment, and Betterments," and B 40, "Working Advances Due to Other Companies.")

### I 18. MISCELLANEOUS INCOME.

This account should include all items, not provided for elsewhere, properly creditable to Income for the fiscal period for which the Income Account is stated.

## III. DEDUCTIONS FROM GROSS INCOME:

### I 19. DEDUCTIONS FOR LEASE OF OTHER ROADS.

This account should include amounts accrued as rent for roads (including the equipment and other railway property covered by the contracts) of other companies held under lease or other agreement by the terms of which exclusive use and control for operating purposes are secured.

This account should include the entire amount of rent (except taxes) payable by the lessee according to the terms of lease or other agreement, whether it is paid to the lessor in cash or is disbursed by the lessee for the account of the lessor as interest on funded debt, guaranteed dividends on stock, or otherwise.

NOTE A.—The rent of equipment included in the lease of road should be charged to this account and not to Hire of Equipment account.

NOTE B.—If property, the rent of which is charged to this account, is sublet by the accounting company to others, the rent from the sublease should be credited to account I 6, "Income from Lease of Road."

NOTE C.—If, under the terms of a lease, the deficit (or any portion of it) resulting from the lessee company's operations of the property leased is chargeable to the lessor company, the amount should be credited to this account by the lessee.

### I 20. HIRE OF EQUIPMENT—DEBIT BALANCE.

This account should include the net debit balance of (1) amounts accrued as owed by others for the use of the accounting company's equipment leased or interchanged, and (2) amounts accrued as owed to other carriers for the use of their equipment leased or interchanged and amounts accrued as owed to individuals and companies for the use of private cars.

NOTE A.—If the net balance is a credit, it should be included in account I 7, "Hire of Equipment—Credit Balance."

NOTE B.—Rent for equipment included in the lease of road to the accounting company should not be included in this account, but in account I 19, "Deductions for Lease of Other Roads."

NOTE C.—Interest accrued on any form of equipment trust obligations should not be included in this account, but should be charged to account I 26, "Interest Deductions for Funded Debt."

NOTE D.—This account does not apply to equipment assigned to Auxiliary (or Outside) Operations, the rent of which is provided for in the Classification of Revenues and Expenses for Outside Operations.

### I 21. JOINT FACILITY RENT DEDUCTIONS.

This account should include amounts accrued as rent for tracks, yards, terminals, and other facilities owned or controlled by other carriers, companies, or individuals, in the joint use of which the accounting company participates.

NOTE A.—Amounts paid by the accounting company in reimbursement for taxes on property jointly used should be charged to this account.

NOTE B.—The cost of maintenance, operation, or administration of joint facilities, chargeable to the accounting company, should not be included in this account, but should be charged to the various joint facility accounts provided in the Classification of Operating Expenses. When the compensation for the use of joint facilities is a fixed amount or is based upon a charge per passenger, per ton, per car, or other unit, it should be fairly apportioned between this account and the appropriate joint facility operating expense accounts. This apportionment should be made by the operating company, if it is a steam road, and should be followed by the accounting company.

NOTE C.—If the facilities are used jointly with others than common carriers and the amounts involved are relatively small, they need not be apportioned between this account and the joint facility operating expense accounts, but may be charged to the appropriate operating expense accounts (not joint facility accounts).

### I 22. MISCELLANEOUS RENT DEDUCTIONS.

This account should include rents accrued on property leased to the accounting company and not properly chargeable to any of the three foregoing accounts.

NOTE A.—This account should not include such rents as are provided for in the Classification of Operating Expenses for Steam Roads or in the Classification of Revenues and Expenses for Outside Operations.

NOTE B.—If property, the rent of which is chargeable to this account, is sublet by the accounting company to others, the rent from the sublease should be credited to account I 9, "Miscellaneous Rent Income."

NOTE C.—Payments for the exclusive use of property maintained by the lessor and used in the accounting company's operations (when considerable in amount and when not provided for in the Classification of Operating Expenses for Steam Roads or in the Classification of Revenues and Expenses for Outside Operations) should be divided into two portions: one representing the cost of maintenance, which should be charged to the appropriate operating expense accounts (not joint facility accounts), and the other representing the rent (amount applicable to the investment in the property), which should be charged to this account. If relatively small, the amounts need not be divided, but may be charged to the appropriate operating expense accounts (not joint facility accounts).

### I 23. MISCELLANEOUS TAX ACCRUALS.

This account should include all taxes accrued other than those provided for in account I 5, "Railway Tax Accruals," such as taxes on securities owned, taxes on income from securities owned, taxes on physical property other than that

carried in the road and equipment accounts, Federal excise taxes or such portion of them as is not assigned to railway operations, and analogous items.

NOTE.—If property other than railway property is so intimately connected with railway property that the taxes thereon can not be separately ascertained, such taxes may be included in account I 5, "Railway Tax Accruals"; also, when it is impossible to ascertain from the taxing authorities the distribution of taxes between (1) railway property, operations, and privileges, and (2) other property, operations, and privileges, the taxes on the latter may be included in account I 5, "Railway Tax Accruals."

#### I 24. NET LOSS ON MISCELLANEOUS PHYSICAL PROPERTY.

This account should include the net debit balance of the revenues or income from, and the expenses (excluding taxes) of, physical property carried in balance-sheet account B 6 (a), "Miscellaneous Investments—Physical Property."

NOTE.—If the net balance is a credit, it should be shown under account I 10, "Net Profit from Miscellaneous Physical Property."

#### I 25. SEPARATELY OPERATED PROPERTIES—LOSS.

This account should include amounts payable under the terms of agreements or contracts whereby the deficit resulting from the operation of properties of other companies having a separate corporate existence and operated separately is to be paid, in whole or in part, by the accounting company.

NOTE A.—The amount receivable by the operating company should be credited by it to account I 17, "Contributions from Other Companies."

NOTE B.—In determining the amount payable by the accounting company, consideration should be given not only to the operating revenues and operating expenses, but also to other items of income or deduction which affect that amount.

NOTE C.—This account should not include the results from operations of property and facilities owned by the accounting company, the revenues and expenses of which are provided for in the Classification of Revenues and Expenses for Outside Operations, or in accounts I 10, "Net Profit from Miscellaneous Physical Property," and I 24, "Net Loss on Miscellaneous Physical Property."

NOTE D.—Dividends or other returns upon securities issued by separately operated companies and held or controlled by the accounting company should not be included in this account to offset a deficit payable, but in account I 12, "Dividend Income"; I 13, "Income from Funded Securities"; or I 14, "Income from Unfunded Securities and Accounts," as may be appropriate.

#### I 26. INTEREST DEDUCTIONS FOR FUNDED DEBT.

This account should include interest on funded debt issued or assumed by the accounting company which has accrued during the period for which the Income Account is stated.

NOTE A.—This account should include the interest accrued on all classes of funded debt as defined in balance-sheet account B 31,

"Funded Debt," and also the interest on receivers' certificates issued for a term of more than one year, the interest accrued on long-term advances, and the interest accrued on debenture stock.

NOTE B.—This account should not include charges for interest on funded debt obligations issued or assumed by the accounting company and owned by it, whether held in its treasury, in special deposits, or in sinking or other reserve funds, or pledged as collateral. (See account I 31, "Appropriations of Income to Sinking and Other Reserve Funds.")

NOTE C.—When funded debt is incurred for new lines or extensions, the interest that accrues on the funded debt after the lines are open for operation should be included in this account, and should not be charged to road and equipment account No. 47, "Interest and Commissions."

NOTE D.—When funded debt is incurred for additions and betterments purposes, the interest that accrues on the funded debt after the receipt or the completion or coming into service of the property so acquired should be included in this account, and should not be charged to additions and betterments account A 34, "Interest and Commissions."

NOTE E.—Interest accruing on funded debt securities after maturity should not be included in this account, but in account I 27, "Interest Deductions for Unfunded Debt."

#### I 27. INTEREST DEDUCTIONS FOR UNFUNDED DEBT.

This account should include interest accrued on unfunded debt, such as short-term notes (payable on demand or having dates of maturity one year or less from dates of issue), interest on matured funded securities and open accounts, and other analogous items, including discount on short-term notes.

NOTE A.—When short-term notes or other evidences of unfunded indebtedness are issued for new lines or extensions, the interest that accrues after such lines or extensions are open for operation should be included in this account, and should not be charged to road and equipment account No. 47, "Interest and Commissions."

NOTE B.—When short-term notes or other evidences of unfunded indebtedness are issued for additions and betterments purposes the interest that accrues after the receipt or the completion or coming into service of the property should be included in this account and should not be charged to additions and betterments account A 34, "Interest and Commissions."

#### I 28. AMORTIZATION OF DISCOUNT ON FUNDED DEBT.

This account should be charged during each fiscal period with such proportion of the unextinguished discount and expense on funded debt obligations as may be applicable to that period. This proportion should be determined according to a rule, the uniform application of which throughout the interval between the date of sale and the date of maturity will extinguish the discount and expense on funded debt.

In order that the discount and expense on funded debt may be extinguished sooner, the company may, at its option,

charge to account PL 11, "Debt Discount Extinguished through Surplus," all or any portion of the discount and expense on funded debt remaining at any time unextinguished, but the charge to account I 28 for any period must not exceed the proportion applicable to that period, and a charge should be made for each period so long as any portion of the discount and expense remains unextinguished.

NOTE.—The amounts charged to this account should be concurrently credited to the Discounts and Premiums accounts in which the respective discounts are carried. (See balance-sheet accounts B 20, "Unextinguished Discount on Securities" and B 44, "Unextinguished Premiums on Outstanding Funded Debt.")

#### I 29. TRANSFER OF INCOME TO OTHER COMPANIES.

If, under the terms of agreements or contracts, the surplus of the accounting company is payable (in whole or in part) to another company, without provision for reimbursement, the amount so payable should be charged to this account.

NOTE A.—The amount receivable by the other company should be credited by it to account I 11, "Separately Operated Properties—Profit."

NOTE B.—Dividends or other payments upon securities issued or assumed by the accounting company should not be included in this account.

NOTE C.—In determining the amount payable by the accounting company, consideration should be given not only to operating revenues and operating expenses, but also to other items of income or deduction which affect that amount.

#### I 30. MISCELLANEOUS DEDUCTIONS.

This account should include all items, not provided for elsewhere, properly chargeable to Income for the fiscal period for which the Income Account is stated.

NOTE.—This account should include fines imposed by government authorities, not specifically chargeable to Operating Revenues or Operating Expenses.

### IV. DISPOSITION OF NET INCOME:

#### I 31. APPROPRIATIONS OF INCOME TO SINKING AND OTHER RESERVE FUNDS.

This account should include amounts of appropriations of income for sinking and other reserve funds. The terms of mortgages, deeds of trust, or other contracts providing for the allocation of income or for the payment of definite sums into sinking and other reserve funds, and for accretions to such funds on account of income from previous investments, may be made the basis of such appropriations.

The appropriations for payments or accretions to the funds may include amounts equal to (1) direct payments; (2) the

interest or dividends on securities issued or assumed by the accounting company and held in such funds; (3) the income from investments in securities (other than those issued or assumed by the accounting company) held in such funds; and (4) the income from cash and other property held in such funds.

NOTE A.—The amounts charged to this account should be concurrently credited to balance-sheet account B 49, "Reserves from Income or Surplus."

NOTE B.—If appropriations for direct payments are made from surplus, they should be charged to account PL 6, "Appropriations of Surplus to Sinking and Other Reserve Funds."

### I 32. DIVIDEND APPROPRIATIONS OF INCOME.

This account should include dividends on outstanding capital stock issued or assumed by the accounting company (other than that held by it), if declared from income.

This account should be subdivided so as to show separately the dividends on the various classes of capital stock.

If a dividend is payable in any thing other than money, such thing should be described in the entry with sufficient particularity to identify it.

NOTE A.—This account should include the dividends declared out of income on all classes of capital stock defined in balance-sheet account B 28, "Capital stock," except debenture stock. The payments on debenture stock should be charged to account I 26, "Interest Deductions for Funded Debt."

NOTE B.—This account should not include charges for dividends on capital stock issued or assumed by the accounting company and owned by it, whether held in its treasury, in special deposits, or in sinking or other reserve funds, or pledged as collateral. (See account I 31, "Appropriations of Income to Sinking and Other Reserve Funds.")

NOTE C.—This account should be used if the appropriations are definitely made as chargeable to income. If similar appropriations are made from surplus, they should be charged to account PL 7, "Dividend Appropriations of Surplus."

### I 33. APPROPRIATIONS OF INCOME FOR ADDITIONS AND BETTERMENTS.

This account should include amounts appropriated from income for additions to and betterments of property carried in the road and equipment accounts.

These amounts should be subdivided so as to show (a) amounts expended during preceding fiscal periods, (b) amounts expended during the current fiscal period, and (c) amounts held in reserve. Entries should be made concurrently crediting the amounts to balance-sheet account B 48, "Additions to Property since June 30, 1907, through Income," or to account B 49, "Reserves from Income or Surplus."



NOTE.—This account should be used if the appropriations are definitely made as chargeable to income. If similar appropriations are made from surplus, they should be charged to account PL 8, "Appropriations of Surplus for Additions and Betterments."

#### I 34. APPROPRIATIONS OF INCOME FOR NEW LINES AND EXTENSIONS.

This account should include amounts appropriated from income for the construction of new lines or the extension of existing lines.

These amounts should be subdivided so as to show (a) amounts expended during preceding fiscal periods, (b) amounts expended during the current fiscal period, and (c) amounts held in reserve. Entries should be made concurrently crediting the amounts to balance-sheet account B 48, "Additions to Property since June 30, 1907, through Income" or to account B 49, "Reserves from Income or Surplus."

NOTE.—This account should be used if the appropriations are definitely made as chargeable to income. If similar appropriations are made from surplus, they should be charged to account PL 9, "Appropriations of Surplus for New Lines and Extensions."

#### I 35. STOCK DISCOUNT EXTINGUISHED THROUGH INCOME.

This account should include such appropriations from income as are made to reduce or extinguish the discount on capital stock included in the Discounts and Premiums accounts. (See balance-sheet account B 20, "Unextinguished Discount on Securities.")

NOTE.—This account should be used if the appropriations are definitely made as chargeable to income. If similar appropriations are made from surplus, they should be charged to account PL 10, "Stock Discount Extinguished through Surplus."

#### I 36. MISCELLANEOUS APPROPRIATIONS OF INCOME.

This account should include appropriations of income not provided for elsewhere.

NOTE A.—This account should include any appropriations of income (except sinking fund appropriations) made for the discharge of the principal (less the discount, if any, suffered at the time of sale) of any indebtedness incurred in the acquisition or improvement of property carried in the road and equipment accounts. The amounts charged to this account for such purpose should be concurrently credited to balance-sheet account B 48, "Additions to Property since June 30, 1907, through Income."

NOTE B.—This account should be used if the appropriations are definitely made as chargeable to income. If similar appropriations are made from surplus, they should be charged to account PL 12, "Miscellaneous Appropriations of Surplus."

NOTE C.—This account should include such appropriations of income as are made to provide a reserve for doubtful accounts.

# PROFIT AND LOSS STATEMENT.

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## LIST OF ACCOUNTS.

I. CREDITS:	
Balance (at beginning of fiscal period).	Page.
PL 1. Credit Balance Transferred from Income Account.	25
PL 2. Profit on Road and Equipment Sold .....	25
PL 3. Delayed Income Credits.....	25
PL 4. Miscellaneous Credits.....	25
Balance Debit (at end of fiscal period) carried to General Balance Sheet.	
II. DEBITS:	
Balance (at beginning of fiscal period).	
PL 5. Debit Balance Transferred from Income Account.	26
PL 6. Appropriations of Surplus to Sinking and Other Reserve Funds.....	26
PL 7. Dividend Appropriations of Surplus .....	26
PL 8. Appropriations of Surplus for Additions and Betterments.....	27
PL 9. Appropriations of Surplus for New Lines and Extensions .....	27
PL 10. Stock Discount Extinguished through Surplus...	28
PL 11. Debt Discount Extinguished through Surplus....	28
PL 12. Miscellaneous Appropriations of Surplus .....	28
PL 13. Loss on Retired Road and Equipment.....	28
PL 14. Delayed Income Debits .....	28
PL 15. Miscellaneous Debits.....	29
Balance Credit (at end of fiscal period) carried to General Balance Sheet.	

## TEXT EXPLANATORY OF ACCOUNTS APPEARING IN THE PROFIT AND LOSS STATEMENT FOR STEAM ROADS.

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### I. CREDITS:

#### PL 1. CREDIT BALANCE TRANSFERRED FROM INCOME ACCOUNT.

Under this title should be shown the net credit balance brought forward from the Income Account.

#### PL 2. PROFIT ON ROAD AND EQUIPMENT SOLD.

This account should include credits to Profit and Loss on account of the sale of property carried in the road and equipment accounts if the proceeds of such sale are in excess of the amount of the assets shown therefor.

#### PL 3. DELAYED INCOME CREDITS.

This account should include credits relating to operating revenues, operating expenses, and other income items of previous fiscal periods, when such items are greatly delayed and relatively large.

NOTE A.—As a rule, items affecting Income should be included in the appropriate accounts in the fiscal period in which they accrue. Only those items which are greatly delayed and the amounts of which are relatively so large as to impair the figures for the current fiscal period should be credited to this account. Other lap-over items should be credited to the appropriate operating revenue, operating expense, or other accounts in the current fiscal period.

NOTE B.—All entries in this account should be made in such detail as will indicate the operating revenue, operating expense, or other income accounts to which they relate.

#### PL 4. MISCELLANEOUS CREDITS.

This account should include amounts (not provided for elsewhere) transferred from other accounts to Profit and Loss and amounts representing increases of resources not properly assignable to the income of the fiscal period for which the accounts are stated. Among the items which should be included in this account are:

Adjustments or cancellations of old balance-sheet accounts (other than road and equipment accounts).

Profit derived from the sale of investment securities (such as stocks or bonds owned).

Profit derived from the sale of property carried in balance-sheet account B 6 (a), "Miscellaneous Investments—Physical Property."

Credits resulting from adjustments required to bring to par securities issued or assumed by the accounting company and reacquired at a cost less than the par value.

Premiums on capital stock at the time of its retirement.

Unreleased premiums on funded debt retired before maturity.

## II. DEBITS:

### PL 5. DEBIT BALANCE TRANSFERRED FROM INCOME ACCOUNT.

Under this title should be shown the net debit balance brought forward from the Income Account.

### PL 6. APPROPRIATIONS OF SURPLUS TO SINKING AND OTHER RESERVE FUNDS.

This account should include amounts of appropriations of surplus for sinking and other reserve funds. The terms of mortgages, deeds of trust, or other contracts providing for the allocation of surplus or for the payment of definite amounts into sinking and other reserve funds may be made the basis of such appropriations.

NOTE A.—This account should be used if the appropriations are definitely made as chargeable to surplus. If similar appropriations are made from income, they should be charged to account I 31, "Appropriations of Income to Sinking and Other Reserve Funds."

NOTE B.—If appropriations are made to cover the income accruing on sinking-fund assets and to cover amounts equivalent to interest on securities issued or assumed by the accounting company and held in such funds, the amounts of such appropriations should not be included in this account, but should be included in account I 31, "Appropriations of Income to Sinking and Other Reserve Funds." If appropriations are made to cover sums equivalent to dividends on stock issued or assumed by the accounting company and held in such funds, the amounts of such appropriations may be included in this account or in account I 31.

NOTE C.—The amounts charged to this account should be concurrently credited to balance-sheet account B 49, "Reserves from Income or Surplus."

### PL 7. DIVIDEND APPROPRIATIONS OF SURPLUS.

This account should include dividends on outstanding capital stock issued or assumed by the accounting company (other than that held by it), if declared from surplus.

This account should be subdivided so as to show separately the dividends on the various classes of capital stock.

If a dividend is payable in any thing other than money, such thing should be described in the entry with sufficient particularity to identify it.

NOTE A.—This account includes the dividends declared from surplus on all classes of capital stock defined in balance-sheet account B 28, "Capital stock," except debenture stock. The payments on debenture stock should be charged to account I 26, "Interest Deductions for Funded Debt."

NOTE B.—This account should not include charges for dividends on capital stock issued or assumed by the accounting company and owned by it, whether held in its treasury, in special deposits, or sinking or other reserve funds, or pledged as collateral. (See account PL 6, "Appropriations of Surplus to Sinking and Other Reserve Funds.")

NOTE C.—This account should be used if appropriations are definitely made as chargeable to surplus. If similar appropriations are made from income, they should be charged to account I 32, "Dividend Appropriations of Income."

#### PL 8. APPROPRIATIONS OF SURPLUS FOR ADDITIONS AND BETTERMENTS.

This account should include amounts appropriated from surplus for additions to and betterments of property carried in the road and equipment accounts.

These amounts should be subdivided so as to show (a) amounts expended during preceding fiscal periods, (b) amounts expended during the current fiscal period, and (c) amounts held in reserve. Entries should be made concurrently crediting the amounts to balance-sheet account B 48, "Additions to Property since June 30, 1907, through Income," or to account B 49, "Reserves from Income or Surplus."

NOTE.—This account should be used if appropriations are definitely made as chargeable to surplus. If similar appropriations are made from income, they should be charged to account I 33, "Appropriations of Income for Additions and Betterments."

#### PL 9. APPROPRIATIONS OF SURPLUS FOR NEW LINES AND EXTENSIONS.

This account should include amounts appropriated from surplus for the construction of new lines or the extension of existing lines.

These amounts should be subdivided so as to show (a) amounts expended during preceding fiscal periods, (b) amounts expended during the current fiscal period, and (c) amounts held in reserve. Entries should be made concurrently crediting the amounts to balance-sheet account B 48, "Additions to Property since June 30, 1907, through Income," or to account B 49, "Reserves from Income or Surplus."

NOTE.—This account should be used if appropriations are definitely made as chargeable to surplus. If similar appropriations are made from income, they should be charged to account I 34, "Appropriations of Income for New Lines and Extensions."

**PL 10. STOCK DISCOUNT EXTINGUISHED THROUGH SURPLUS.**

This account should include such appropriations of surplus as are made to reduce or extinguish the discount on capital stock included in the Discounts and Premiums accounts. (See balance-sheet account B 20, "Unextinguished Discount on Securities.")

NOTE.—This account should be used if appropriations are definitely made as chargeable to surplus. If similar appropriations are made from income, they should be charged to account I 35, "Stock Discount Extinguished through Income."

**PL 11. DEBT DISCOUNT EXTINGUISHED THROUGH SURPLUS.**

This account should include such appropriations of surplus as are made at the option of the accounting company to reduce or extinguish the discount and expense on funded debt.

(See account I 28, "Amortization of Discount on Funded Debt," and balance-sheet account B 20, "Unextinguished Discount on Securities.")

**PL 12. MISCELLANEOUS APPROPRIATIONS OF SURPLUS.**

This account should include appropriations of surplus not provided for elsewhere.

NOTE A.—This account should include any appropriations of surplus (except sinking-fund appropriations) made for the discharge of the principal (less the discount, if any, suffered at the time of sale) of any indebtedness incurred in the acquisition or improvement of property carried in the road and equipment accounts. The amounts charged to this account for such purpose should be concurrently credited to balance-sheet account B 48, "Additions to Property since June 30, 1907, through Income."

NOTE B.—This account should be used when the appropriations are definitely made as chargeable to surplus. If similar appropriations are made from income, they should be charged to account I 36, "Miscellaneous Appropriations of Income."

**PL 13. LOSS ON RETIRED ROAD AND EQUIPMENT.**

This account should include charges to Profit and Loss (as provided by the Classification of Expenditures for Additions and Betterments), on account of (1) property (except equipment) carried in the road and equipment accounts, which has been abandoned, sold, or otherwise retired, and not replaced; and (2) equipment which has been abandoned, sold, or otherwise retired.

**PL 14. DELAYED INCOME DEBITS.**

This account should include debits relating to operating revenues, operating expenses, and other income items of previous fiscal periods when such items are greatly delayed and relatively large.

NOTE A.—As a rule, items affecting Income should be included in the appropriate accounts in the fiscal period in which they accrue. Only those items which are greatly delayed and the amounts of which

are relatively so large as to impair the figures for the current fiscal period, should be debited to this account. Other lap-over items should be debited to the appropriate operating revenue, operating expense, or other accounts in the current fiscal period.

NOTE B.—All entries in this account should be made in such detail as will indicate the operating revenue, operating expense, or other income accounts to which they relate.

#### PL 15. MISCELLANEOUS DEBITS.

This account should include amounts (not provided for elsewhere) transferred from Profit and Loss to other accounts, amounts written off in consequence of adjustments, and payments not properly chargeable to the income of the fiscal period for which the accounts are stated. Among the items which should be charged to this account are:

Adjustments or cancellations of old balance-sheet accounts (other than road and equipment).

Losses or deficits not properly chargeable to income (such as uncollectible bills for which no reserve has been provided).

Losses resulting from the sale of investment securities (such as stocks or bonds owned).

Losses resulting from the sale, destruction, or abandonment of property carried in balance-sheet account B 6 (a), "Miscellaneous Investments—Physical Property."

Losses resulting from adjustments required to bring to par securities issued or assumed by the accounting company and reacquired at a cost exceeding the par value.

Discounts on stock remaining unextinguished at the time of its retirement.

Unextinguished discounts on funded debt retired before maturity.

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